



FEDERAL ELECTION COMMISSION
WASHINGTON, D.C. 20463

RQ-2

Elizabeth Smith, Treasurer
The Madison Project Inc.
P.O. Box 160
Centreville, VA 20122

APR 18 2003

Identification Number: C00298000

Reference: Amended July Quarterly Report (4/1/02-6/30/02), received 4/12/03

Dear Mrs. Smith:

This letter is prompted by the Commission's preliminary review of the report(s) referenced above. The review raised questions concerning certain information contained in the report(s). An itemization follows:

-Your report discloses a transfer(s) for "Administrative Expenses", "Administrative Expenses for Overhead", "Administrative Expenses and Overhead" to the **Madison Project Inc. Admin Fund** which appears to be a non-federal account of your committee. 11 CFR §§106.5 and 106.6 prohibits a committee's federal account from reimbursing its non-federal account for shared allocable expenses. Furthermore, the non-federal account is prohibited from paying the federal account's share of these expenses. These types of costs must be paid according to the allocation ratio derived from the appropriate method on a Schedule F(1).

The Commission notes your Mid-Year and Year End Reports' Electronic Submission (received on 10/22/02) which states, "... the federal account transferred one hundred percent (100%) of the amount needed to pay the administrative and overhead expenses associated with the federal account to the non-federal account and these expenses were paid immediately after transfer." However, all disbursements, contributions, expenditures and transfers by the committee in connection with any federal election shall be made from its federal account. 11 CFR §102.5(a)(1)

If the transfer(s) in question was incompletely or incorrectly disclosed, you should amend your original report with clarifying information. If your non-federal account has paid for any expenditure which should have been